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COPY NO. 74

NATIONAL SECURITY COUNCIL

PROGRESS REPORT
(May 17, 1955)

on

UNITED STATES POLICY TOWARD BERLIN
(NSC 5404/1)

by

THE OPERATIONS COORDINATING BOARD

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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

May 25, 1956

MEMORANDUM FOR: Mr. James S. Lay, Jr.
Executive Secretary
National Security Council

SUBJECT: Progress Report on Berlin (NSC 5404/1)

The attached Progress Report by the Operations Coordinating Board on "United States Policy Toward Berlin" (NSC 5404/1), covering the period from September 15, 1955 through May 17, 1956, was concurred in by the Board on May 17, 1956 for transmittal to the National Security Council.

Elmer B. Staats
Elmer B. Staats
Executive Officer

Attachment:

Progress Report on Berlin
(NSC 5404/1), 5/17/56.

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May 17, 1956

PROGRESS REPORT ON UNITED STATES POLICY
TOWARD BERLIN

(NSC 5404/1)

(Policy Approved by the President January 25, 1954)

(Period Covered: September 15, 1955 through May 17, 1956)

A. LISTING OF MAJOR DEVELOPMENTS DURING THE PERIOD

1. Soviet moves to lay the groundwork for further harassment of Berlin were reflected in a series of agreements between the USSR and GDR on September 20 which, among other things, provided for the assumption of control by the GDR "at the outer ring of greater Berlin, within Berlin, and on the lines of communication between the German Federal Republic and West Berlin situated on GDR territory." These agreements further specified that in the control and guarding of these lines of communication the GDR would "insure with the appropriate authorities of the German Federal Republic the settlement of all matters connected with rail and road traffic and the passage of the shipping of the German Federal Republic and West Berlin, their citizens or inhabitants and foreign states and their citizens, except for the personnel and materiel of the garrisons of the United States, Great Britain and France in West Berlin;" as for movements of this personnel and materiel between the German Federal Republic and West Berlin, the agreements stipulated that control "will temporarily be exercised by the command of Soviet troops in Germany, pending the conclusion of an appropriate agreement."

2. A step toward implementation of these agreements was taken in the form of an official announcement by the GDR Press Office on December 9 that as of December 1 the GDR frontier police had, in accordance with the agreements, taken over from the Soviets sole responsibility for the guarding and control of the GDR state frontiers and at the outer ring of Berlin. Similarly the Soviets in October announced the transfer to the GDR of their authority over the licensing of barges engaged in interzonal traffic.

3. No serious harassment of Berlin occurred during the period, however, despite the above developments along with a number of menacing gestures (which included a parade of armed workers in East Berlin in January and again in March) and a considerable amount of threatening talk in the Communist press. There were no significant new restrictions on or interferences with any form of travel between Berlin and the West, including barge traffic, nor conspicuous new pressures on the city itself. Despite allegations in the East German press that East Berlin had become a part of the GDR, the Soviets have as yet taken no action inconsistent with the occupation status of the city. (See paragraph 22-b).

4. The firm Allied intention to maintain the Western position in Berlin was manifested in the September 28 declaration of the Three Foreign Ministers,

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which emphasized that the Soviet Union remained responsible for carrying out its obligations under Four-Power agreements on the subject of Germany and Berlin. It was followed by identical United States, United Kingdom and French notes to the USSR on October 4 stating that the USSR remained bound by its obligations under Four-Power agreements in regard to Germany, including Berlin. There was a further declaration on the subject by the NATO Council on December 16. President Eisenhower and Prime Minister Eden reaffirmed the Berlin security guarantee on February 2. The Under Secretary of State made a similar statement in his Berlin address on February 5.

5. In protest against Communist violations of quadripartite agreements, the United States, United Kingdom and France delivered a note to the Soviets on December 1 against interference with Allied circulation within Berlin, and two others on February 10 and March 26 against the arming of civilian groups, including youth, in East Berlin.

6. Planning to counter possible harassment, which had been under discussion for some time, was carried on by a quadripartite standing committee set up in Bonn in November.

7. Airlift planning by the Three Western Allies was extended by the inclusion of representatives of the Federal Republic, who gave assurance of logistic and financial support to the project.

8. U.S. proposals for tripartite planning for military action in case of a threat to Berlin's security (Paragraphs 9 and 10 of NSC 5404/1) have led to British agreement to participate in planning on a hypothetical basis. The French have also now agreed in principle to such planning.

9. U.S. direct economic aid to Berlin continued, though at a reduced rate. In addition, other programs have been initiated which, though not exerting a direct impact on the economy, have reinforced confidence and been a factor in maintaining an increase in orders for Berlin products and in maintaining the volume of Berlin exports to the free world. Some of these programs include the erection of pre-fabricated houses for refugees, construction of the Hilton Hotel and a garment center, a community development plan in Kreuzberg, and the final development of the construction of and program for using the Berlin Conference Hall, and arrangements for the printing in Berlin of the magazine America Illustrated (in Russian language) for distribution within the USSR.

10. Federal Republic support for Berlin continued. During the German fiscal year ending March 31, 1955, the Federal Republic's net budgetary assistance to Berlin amounted to DM 1,200 million (\$285.7 million). In the German fiscal year ending March 31, 1956, the Bonn Government's assistance increased to approximately DM 1,400 million (\$335 million). If current proposals for Federal support to the Berlin budget are approved, the Federal contribution will increase in the coming year by 10 to 15 per cent.

11. MDA/OSP and other OSP contracts for approximately \$11.6 million were placed in West Berlin in the reporting period, which will not only aid Berlin's economy but also tend to establish a production base for certain items of equipment required by the German Army.

12. Stocks for emergencies were reviewed and minor additions made, and there is assurance of sufficient reserves for a period of six months to a year for most items. Unexpended balances of funds totalling Deutsche-marks \$8 million remain for later use. The freezing of the canals and the excessive cold have led to requests to use a portion of the one-year's supply of brown coal briquettes in Berlin. (Stocks may be temporarily reduced by approximately 12%).

13. Cultural-information programs designed to show strong United States interest in Berlin's development and security and to present the United States viewpoint in world affairs included, in addition to the special programs mentioned in paragraph 9, normal public affairs operations such as RIAS broadcasts, film showings, special exhibits, discussion groups, circulation of publications, book presentations, and participation in fairs, conferences, etc. Visits by the Under Secretary of State, former High Commissioner McCloy, and the United States Ambassador to Berlin have contributed toward this end.

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B. SUMMARY STATEMENT OF OPERATING PROGRESS IN RELATION TO MAJOR NSC OBJECTIVES*

15. Basic policy is considered valid and no revision is recommended at this time. Defense has ascertained that current plans cover hostile actions against Berlin from any quarter.

16. Work in the preparation by the Western Powers and the Federal Republic of effective and coordinated countermeasures against possible increased Communist harassment of Berlin made little progress during the period.

17. Western statements of firmness have probably deterred or delayed Soviet plans to harass Berlin. (See Paragraphs 23 and 24).

18. Progress in maintaining the economic welfare of West Berlin has been good. Confidence in the economy has improved as reflected by increasing demands for Berlin products by the West. Unemployment has been substantially below that of any corresponding month in the years since occupation. There has been a reduction of more than 50% over the past two years. Nevertheless, there are still large numbers of unemployed and refugees whose presence in Berlin and whose depressed standard of living tend to weaken the overall good effect of improved West Berlin prosperity.

* Latest NSC-11-3-56 is dated 2/25/56.

19. The generally improved economic situation of West Berlin and the absence of major communist harassment appear to have dulled somewhat the West Berliners' spirit of militancy and defiance characteristic of their attitude during periods of real crisis.

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21. Airlift planning progress has been excellent and for the first time includes Federal Republic participation and the latter's agreement to finance all non-flying costs related to a planned airlift by the U.S., U.K. and France designed to reach a volume of 4,000 tons a day within the first three months. On the U.S. side, U.S. EUCOM completed a U.S. airlift plan in November 1955 which would enable the U.S. in the event it has to act alone to deliver an average of 1,520 tons daily by two months after the operation is commenced.

C. MAJOR PROBLEMS OR AREAS OF DIFFICULTY

22. Possible New Communist Harassment of Berlin

a. New Soviet Posture. By their September 20 agreements with the GDR the Soviets have made available to themselves a new technique for harassing the Western position in Berlin. They can now be expected to follow the pattern of pushing the GDR increasingly into the foreground in matters affecting Berlin and the control over Western access thereto, with the objective of compelling the Western allies and the Federal Republic to deal with the GDR on an official basis. At the same time the Soviets will endeavor to disassociate themselves from responsibility for all developments affecting Berlin, with the probable exception of matters directly affecting the allied garrisons there. Indications are that the Communists will not attempt blockade or similar serious harassments and that their primary short run objective is to secure recognition of the GDR.

b. Problem of Berlin Access. Probably the most likely point of application of this new technique lies in the field of Western access to Berlin. Among the specific Soviet tactics which can be anticipated are the following:

(1) The continued replacement of Soviet troops with GDR personnel at border checkpoints and along access routes to Berlin (with the probable exception of the main Autobahn to Helmstedt).

(2) The grant to GDR instrumentalities of continually increasing ostensible authority over all matters, including travel documentation, relating to non-Allied road, rail and water traffic between Berlin and the West. Examples of the type of harassment within this framework of which the GDR is capable - and which is

extremely difficult to deal with if repeated in varying forms - are their actions in imposing heavy road tolls on motor traffic to Berlin, and their insistence on reviewing barge permits (to force de facto recognition) for Federal Republic owners transporting a sizeable volume of goods to Berlin; as to the latter, an incipient crisis is developing since no permits have been renewed since August 1955.

(3) A possible attempt to draw a distinction between allied military personnel and civilian officials in Berlin with regard to their rights and privileges in connection with travel between Berlin and the Federal Republic.

c. Possible Move to Divide the City. The danger of another type of Communist threat to Berlin is reflected in recent intelligence reports pointing to the possibility of action by the East Germans at an early date to close the inter-sector borders in Berlin and physically isolate the Western sectors from East Berlin. Such a development would not only have a definitely harmful effect on the morale of the West Berlin population but, more significantly, would greatly impair the value of West Berlin as a point of contact with the West for the population of the Soviet Zone. The existence of this threat calls for consideration of the measures to be taken in the event of such a development, as well as to whether any action could be taken to prevent it from coming about.

d. Gradualism of Soviet Tactics. In carrying forward any overall program of Berlin harassment through the medium of the GDR, the Soviets can be expected to move gradually and with considerable care, with a view to preventing any issue with the Western Powers from being presented in a clear-cut and easily challengeable form.

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24. Internal Political Problems. West Berlin attitudes reflect a trend toward increased complacency and indifference among some sectors of the West Berlin population toward the Communist threat; this trend could, if intensified to the point where it permeated further the public morale, confront the allies with serious problems in Berlin.

25. Aid for Berlin

a. Support of Berlin industry, mainly through the investment program, rests on a precarious basis. Thus renewed harassment and a decline in confidence would raise problems for this government, as one of the occupying powers, since an insufficiency of funds would lead to a sharp increase in unemployment. Both economic and political stability might be threatened.

b. Essential programs in the field of public investment and reconstruction depend on a narrow margin of funds. Any serious political setback would raise questions as to U.S. responsibility for maintaining living standards and assisting in providing emergency employment for the more vulnerable segments of the population.

c. The real significance of the U.S. position in Berlin, now that new economic aid has been reduced to token amounts, is more difficult than before to demonstrate. Projects of a cultural, education and welfare nature appear to be needed to evidence our support in the face of the Soviets' increasing support of the GDR.

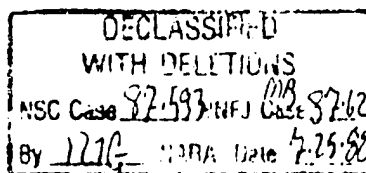
d. Increasing difficulties in maintaining contacts with West Germans call for greater skill in programs to overcome the barriers likely to be erected. Great ingenuity is required in carrying forward new projects in and around Berlin to encourage steadfastness in East Germany in spite of the wearing away of resistance strength.

26. Military Planning. The development of tripartite planning for coordinated military action in the event of a serious threat to Berlin's security will be a continuing problem.

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Attachment:

Financial Annex to Progress Report
covering the period 9/15/55 through 5/17/56



FINANCIAL ANNEX TO THE PROGRESS REPORT ON BERLIN
(Figures are approximate only; in millions of U.S. dollars)

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Period: 9/15/55 through May 17, 1956 EXPENDITURES BY FISCAL YEARS

ACTIVITY OR PROGRAM	1953	1954	1955		1956		Current Est.
	Actual	Actual	NSC Est.	Actual	NSC Est.	Actual	
MDAP	-	-	a/	-	a/	-	-
Direct Forces Support	-	-	-	-	-	-	-
Defense Support and b/ Development Assist.	23.6	51.0	-	40.3	-	17.5c/	28.6
Technical Assistance d/	-	-	-	-	-	-	-
Information Services e/	3.4	3.1	-	2.5	-	1.6f/	2.1
Educational Exchange	.25	.21	-	.18	-	.1	g/
Shipment-Excess Stock (Acquisition cost)	-	-	-	-	-	-	-
Reimbursable Aid	-	-	-	-	-	-	-
Offshore Procurement	-	-	-	-	-	11.6	-
Other (e.g., Mil. Pay; Procurement; Contract Services)	-	-	-	-	-	-	-

NOTES AND COMMENTS: (Keyed to figures in above table)

a/-See comments in Apprndix 1(item b) to Financial Ann. of 160/1 Progr.Report.

b/-Expenditures of counterpart of aid or counterpart transferred from West Germany were, by fiscal years, in millions of dollars: 1953, \$116.4; 1954, \$67.4; 1955, \$50.1; 1956, \$41.2 (Est.); \$40 (Est.) counterpart available beginning FY 1957.

c/-Berlin investment, \$10 million; Conference Hall, \$1 million; East Zone programs, \$6.5 million.

d/-Negligible as part of the West German TE program.

e/-Represents half of expenditures in Berlin; other half assigned as expenditures to FSC 174.

f/-As of May 17, 1956

g/-Includes unspent balance plus estimate for FY 1957.

NOTE: Prior to FY 1953 Berlin and FEEREP dollar allotments were not distinguished. However, extensive counterpart transfers were made from the West German Special Counterpart and GARIOA accounts which made possible expenditure totals as in note b/.

LOANS BY	During Reporting Period			As of 5/17/56		
	Disbursements	Repayments	Authorized	Undisbursed: Commitments	Outstanding Debt	
IBRD	-	-	-	-	-	-
EX-IMBANK	-	-	-	-	-	-

NOTES AND COMMENTS: (Keyed to figures in above table)

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